

TESTIMONY OF MR. DONALD T. BOLLINGER
CHAIRMAN & CEO, BOLLINGER SHIPYARDS, INC.
ON THE
FREEDOM TO TRANSPORT ACT OF 1998 (S. 2390)
BEFORE THE
SENATE COMMITTEE ON COMMERCE, SCIENCE AND TRANSPORTATION
SEPTEMBER 15, 1998

Mr. Chairman and members of the Committee, thank you for the opportunity to testify in opposition to the Freedom to Transport Act (S. 2390) and on the importance of the U.S.-build provision in the Jones Act to the U.S. shipyard industry and, I believe, the country as a whole. The Jones Act, more than any other law on the books today, protects the economic well being of American shipyards and ensures our national security by preserving our shipbuilding and repair infrastructure. And, it does all this at no cost to the federal government.

My name is Boysie Bollinger, and I am the Chairman and Chief Executive Officer of Bollinger Shipyards, Inc., headquartered in Lockport, Louisiana. BSI was founded in 1946. The company now operates seven shipyards in Southern Louisiana and employs approximately 2,000 workers. Bollinger builds, repairs and services a wide variety of vessels and equipment for commercial and government use. Our facilities are the most sophisticated of any shipyard our size. We are committed to our customers, our employees and the community.

I am also here today testifying as the Chairman of the National Shipyard Association. NSA is the national association dedicated entirely to representing the interests of American shipyards engaged in commercial and government shipbuilding and repair. NSA represents 44 shipyard companies that own and operate over 90 shipyards in 17 states. NSA member shipyards employ approximately 25,000 workers, more than 50 percent of the total U.S. shipyard workers primarily engaged in non-Navy shipbuilding.

Let me first say, in the strongest terms possible, that my company and the rest of the U.S. shipyard industry are united in our opposition to S. 2390. Certainly, competitive waterborne transportation is in the best interest of shipbuilders, vessel operators and shippers; however, I believe that this legislation is misguided because it is founded on two faulty assumptions – that the U.S. shipbuilding industry is not competitive and that repeal of the U.S.-build provision in the Jones Act will lead to less expensive shipping rates. Enactment of this bill would be catastrophic to the domestic shipbuilding industry, putting at risk the strides the industry has made over the last decade to become competitive on the world market and endangering our national defense.

While I believe strongly that the cabotage provisions in the Jones Act should be preserved in their entirety, I will limit my remarks to the U.S.-build requirement that seems to be the focus of S. 2390. The U.S.-build requirement in the Jones Act is good for American shipyards, good for U.S.-flag vessel operators, good for our domestic economy and good

for our national defense. The success of my own company is clear evidence that the U.S.-build requirement has not led, as our detractors would suggest, to a U.S. shipyard industry that is non competitive and out of touch with our customers' needs. In fact, the opposite is true. Bollinger is experiencing unprecedented growth and we are undertaking a \$12 million capital expansion program. The Jones Act is one of the primary reasons we have been able to make this investment in people and resources. Without the U.S.-build provision, the economic well being of my company and the men and women we employ would be seriously jeopardized.

Despite claims to the contrary, the domestic shipyard industry that builds the vast majority of vessels for our inland and coastal trades is a vibrant and competitive industry. It is among the most innovative in the world today. Our commercial shipyards, working with Jones Act operators, have developed innovative technologies such as tug-barge units for the transport of liquid and dry cargo, self-unloading bulk cargo carriers, double skin tank barges, high speed ferries, container ships and other important innovations.

We hear much about the declining number of large U.S.-flag ships from those who support Jones Act repeal. Statements such as this show a lack of understanding of the changing face of America's domestic fleet. U.S.-flag operators, in response to customer needs, have increasingly moved from large self-propelled ships to intermodal barge transports, tug-barge technologies, roll-on/roll-off barges and other ocean-going barges. In fact, today there are more than twice the number of large vessels operating in the domestic fleet than there were thirty-five years ago. And America's small and mid-sized shipyards are the most competitive in the world supplying these types of vessel.

For example, American shipyards recently delivered four 20,000 ton articulated tug-barge units (ATBs) for a U.S.-flag operator. Each of these ocean-going ATBs is being used to transport more than 150,000 barrels of asphalt. U.S. shipyards built these vessels at a cost significantly less than what foreign operators pay foreign shipyards to build asphalt tankers with less capacity. This is hard evidence of the changing face of America's domestic fleet and of the competitiveness and entrepreneurial spirit of U.S. shipyards.

Clearly, American shipyards are supplying vessels to meet the needs of the U.S. market at competitive prices. Claims that it costs three to four times more to build vessels in U.S. shipyards as it does in foreign shipyards are irresponsible and disingenuous. They are simply not true. What is true is that my shipyard and others in the U.S. can and are building tugboats, towboats, offshore supply vessels, large ocean-going barges, and other vessels for the Jones Act market at prices that are equal to or below our foreign competition. In fact, American shipyards are exporting these vessels today. I can assure you that foreign operators will not pay non competitive prices to build vessels in U.S. shipyards. Selling vessels on the world market is not easy. It takes a huge commitment of time and money, but the industry is doing it.

It is true; however, that U.S. shipyards are not yet at a point at which we can build very large, self-propelled vessels at prices that equal some foreign shipyards. But, even for

these vessels, cost differential estimates of 300-400 percent are wildly exaggerated. The Maritime Administration at a 1996 hearing on the Jones Act estimated the difference in cost between a U.S. and foreign-built tanker to be 47 percent, with the further qualification that U.S. shipbuilding costs were continuing to decline substantially, particularly in the tanker market. U.S. shipyards are making progress in closing the cost gap with foreign shipyards on these very large vessels, but it takes time and practice. Foreign shipyards have spent years perfecting their building techniques with the aid of government subsidized construction contracts. And, as you know, U.S. shipyards have not received any construction subsidies since 1981. Repeal of the U.S.-build provision would bring our progress to a grinding halt.

American shipyards are not afraid to compete on a level playing field against anybody. What we cannot do is compete against foreign vessels that are built with massive government construction subsidies or with slave labor. Our detractors make much of the fact that most foreign countries do not include domestic build provisions in their cabotage laws. This may be technically true; however, it is not true in practical terms, which my company has learned the hard way. In many cases, American shipyards have been the low bidder on international contracts to build tugboats and ferries, but we were not awarded the contract due to pressure exerted on foreign operators by their governments or incentive deals that are illegal in the U.S. Mr. Chairman, I urge you not to put U.S. shipyards in further jeopardy by enacting this bill.

Regardless of the competitiveness of U.S. shipyards, repealing the U.S.-build provision in the Jones Act would do little, if anything, to reduce the cost of waterborne transportation in the United States. The capital cost to vessel operators of the vessel itself is only about four percent of total operating costs. Furthermore, a recent analysis of shipping costs by Mercer Management Consulting found the actual impact of U.S. vessel construction on the delivered cost of goods in oceangoing coastwise trades to represent only 0.29 percent of the total value of goods transported in those trades.

If, in fact, removing the U.S.-build requirement from the Jones Act would reduce the cost of shipping goods in the U.S., and I believe the evidence clearly suggests that it would not, I would urge you to consider the economic and national security benefits that the American shipyard industry contributes to our nation before enacting any legislation that would undermine this industry.

Today, almost 50,000 Americans in 33 states are directly employed building, repairing and maintaining the Jones Act fleet. American shipyards employing these workers generate almost \$1 billion in annual payrolls for shipyard employees, who in turn contribute over \$250 million in federal and state taxes every year. And, this is just the tip of the iceberg. Purchases generated through the building and repair of Jones Act vessels contribute significantly to the ability of U.S. marine manufacturers to employ approximately 30,000 direct employees in their factories. In addition, U.S. shipyards keep thousands of American steel and related industry workers employed through their steel purchases. Material purchases alone account for 50-70 percent of the cost of a barge or ship. And

the economic benefits do not stop there. Wages generated by building and repairing Jones Act vessels are pumped throughout the U.S. economy, creating and sustaining untold numbers of other manufacturing and service jobs.

My shipyard and the others that supply Jones Act vessels are also a necessary component of our defense readiness capability. The work that is performed in America's commercial shipyards helps maintain and modernize our shipyard industrial base during peacetime at no cost to the federal government. These shipyards train and employ thousands of qualified welders and pipefitters that will be needed during times of national emergency. Furthermore, many U.S. shipyards conduct on-site welding schools, again, at no cost to the federal government. Without the work that is performed in our shipyards, the government would be forced to train and employ these skilled craftsmen to sustain our defense readiness capability.

Recent upturns in the commercial shipbuilding market provide a clear example of why a strong shipyard industrial base is vital to our national defense. U.S. shipyards have had difficulty finding qualified workers to meet the recent increase in shipbuilding and repair needs. Much of the trained shipyard employment of the late 1970s and early 1980s has migrated to other industries or retired. In times of national emergency, a slow build-up to full employment will be unacceptable. We must keep these workers trained and employed.

In conclusion, I ask each of you to think long and hard before considering changing a system that has served this nation so well during peacetime and wartime for the past 200 years. The U.S.-build provision is just one part of the Jones Act. But like a stool, the U.S. maritime industry cannot continue to operate successfully if any one of its parts is eliminated. Our future as a maritime power depends on the continued strength of American shipbuilders, operators and labor. I urge you to put this issue to rest once and for all and oppose S. 2390 and other legislation that would undermine the Jones Act.

Thank you for this opportunity to testify. I would be happy to answer any questions.